Observation of M/o Finance on loopholes in SEZs

2504. SHRI N.R. GOVINDARAJAR: Will the Minister of COMMERCE AND INDUSTRY be pleased to state:

(a) whether a secret report prepared by intelligence agencies under the Ministry of Finance to look into the functioning of all the major SEZs has pointed out loopholes in the law which can potentially be manipulated for tax evasion;

(b) if so, the details thereof;

(c) whether it is a fact that the amount of tax evasion exceed more than 10,000 crores by some big corporate found gross misuse of the export enclaves; and

(d) if so, the details thereof and the action by the Government against these corporates?

THE MINISTER OF STATE IN THE DEPARTMENT OF COMMERCE, MINISTRY OF COMMERCE AND INDUSTRY (SHRI JAIRAM RAMESH): (a) No such report has been made available to this Department.

(b) to (d) Do not arise.

Misuse of FTAs in importing

2505. PROF. P.J. KURIEN: Will the Minister of COMMERCE AND INDUSTRY be pleased to state:

(a) the countries with which India has Free Trade Agreement;

(b) whether Government is aware that this is hitting hard on our farmers because of unrestricted imports;

(c) whether misuse of FTA in importing Cloves, Pepper, Arecanut etc. from Sri Lanka have come to the notice of the Government; and

(d) if so, the details thereof, and Government's reaction thereto?

THE MINISTER OF STATE IN THE DEPARTMENT OF COMMERCE, MINISTRY OF COMMERCE AND INDUSTRY (SHRI JAIRAM RAMESH): (a) India has signed Free Trade Agreements with the following countries:

(i) The India-Sri Lanka Free Trade Agreement covering only goods was signed on 28 December 1998 and its implementation began in March, 2000.

(ii) India and Singapore have signed a Comprehensive Economic Cooperation Agreement (CECA) on 29 June, 2005 which became effective from 1 August, 2006. The CECA includes, *inter-alia*, free trade agreements in goods, services and investment.

(iii) The Agreement on South Asian Free Trade Area (SAFTA), covering goods, was signed by the SAARC member countries (Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka) during the 12th SAARC Summit in Islamabad on 6 January, 2004 and has come into force from 1 January, 2006. The tariff liberalization programme under SAFTA has commenced from 1 July, 2006.

(iv) India also has bilateral trade treaties with Nepal and Bhutan, under which duty-free access has been provided to goods from these two countries, on non-reciprocal basis.

(b) to (d) In order to protect the farmers most of the primary agricultural products are kept in the sensitive/negative list of items on which limited or no tariff concessions are granted under the FTA. The reductions in customs duties are offered taking into account the sensitivities of the Indian agriculture and the volume of trade in these products. Appropriate measures in case of India—Sri Lanka FTA, like allowing import of Betel Nuts only through Mangalore Port; allowing imports of desiccated coconut upto 500 Metric Tons per annum at 30% duty; a Tariff Rate Quota of 2500 MTs on import of paper were taken to safeguard our interest. In addition, in case of a surge in imports and injury to the domestic industry, a country is allowed to take measures such as anti-dumping and safeguards under these agreements.

Steps to improve industrial growth

2506. SHRIMATI SUPRIYA SULE: Will the Minister of COMMERCE AND INDUSTRY be pleased to state:

(a) whether industrial growth slipped to 7.6 per cent during December, 2007 from 13.4 per cent in December, 2006;

(b) if so, whether economists have pointed out that December performance was on expected lines and this prognosis doesn't seem bright for the rest of financial year; and

(c) if so, what were the main reasons and what are the concrete measures to be considered to improve the industrial growth?

THE MINISTER OF STATE IN THE DEPARTMENT OF INDUSTRIAL POLICY AND PROMOTION, MINISTRY OF COMMERCE AND INDUSTRY (SHRI ASHWANI KUMAR): (a) The industrial growth, measured in terms of Index of Industrial Production (IIP), was 7.7% during December 2007 compared to 13.4% during December 2006.

(b) and (c) The industrial slowdown is generally being attributed by the economists to higher interest rate, slower consumer demand, slackening of exports due to rupee-appreciation, general global economic slowdown, etc. For the first 10 months of current financial year (April-January, 2007-08), the industrial growth was 8.7% compared to 11.2% during corresponding period of last year.

The Government has put in place various policies to promote broad based industrial growth. This includes, *inter-alia*, delicensing of industrial capacity, liberalization of foreign trade regime to provide better access to inputs at competitive prices, rationalization and reduction in duty rates of customs and central excise, better infrastructure support, and liberal FDI regime, etc.

In the Budget 2008-09, the Government has proposed reduction in excise duty across the board from 16% to 14% to boost the domestic demand for the manufacturing industry. In addition, the Government has also proposed reduction in excise duty from 16% to 12% in the Budget 2008-09 for Small Cars, Motorcycles, and Scooters etc. to give boost to the domestic consumer durable manufacturing industry.

Government has also announced several relief measures for export oriented industries, which includes enhancement of the Duty Entitlement Pass Book (DEPB), reduction in Export